



KONICA MINOLTA

Konica Minolta Group

Consolidated 3Q March 2005 Financial Results

Three months ended December 31, 2004

February 2, 2005

Masanori Hondo
Senior Executive Officer
Konica Minolta Holdings, Inc.

The essentials of imaging



Cautionary Statement

The forecasts mentioned in this material are the results of estimations based on currently available information, and accordingly, contain risks and uncertainties. The actual results of business performance may sometimes differ from those forecasts due to various factors.

Remarks:

- *To facilitate Y-O-Y comparison, yen amounts for fiscal year ended March 31, 2004 are the total of Konica and Minolta. 3Q/March 2005 results are defined as 9 months (from April to December) amounts less 1H/Mar 05 results.*
- *Yen amounts are rounded to the nearest 0.1 billion.*

Highlight



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[Billions of yen]

	[a]	[b]	[a] / [b]	[c]	[a] / [c]
	Actual	Actual		Plan	
	3Q / Mar05	3Q / Mar04	Growth	3Q / Mar05	vs. Plan
Net sales	263.4	282.1	93.4%	271.6	97.0%
Gross income	119.6	113.3	105.6%	---	---
Operating income	18.5	18.3	101.1%	22.5	82.2%
Ordinary income	15.8	15.3	103.3%	20.0	79.0%
Net income	8.3	10.6	78.3%	10.0	83.0%
EPS [Yen]	15.58				
ROE [Full year, %]	9.6				

■ FOREX: P/L

			Change		Change
US\$	106	109	-3 yen	107	-1 yen
Euro	137	129	+8 yen	130	+7 yen

	Actual	Actual	Change
	3Q / Mar05	3Q / Mar04	
Capital expenditures	10.1	8.8	1.3
Depreciation & amortization	12.7	15.8	-2.9
R&D expenditures	15.8	15.1	0.7

Summary of business performance



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Overview

- **3Q Results Y-O-Y:** Operating income maintained unchanged Y-O-Y contributed by the steady performance in Optics, Photo Imaging and Medical & Graphic Imaging businesses. Business Technologies' revenues and earnings declined Y-O-Y.
- **3Q Results vs. Plan:** Net sales achieved the target. With regard to operating income, Business Technologies' slowdown was influential, remaining a gap of 4 billion yen between 3Q results vs. Plan.

◆ Business Technologies:

Revenues and earnings declined Y-O-Y. Color MFPs continued to sell well whereas B/W mid- to high-speed MFP sales lost momentum during a time of severe competition. Color LBP sales was slow due to the changeover period to new products.

◆ Optics:

3Q results declined Y-O-Y, however, revenues and earnings targets were achieved for the term. LCD film business delivered strong results, covering a short fall in optical pickup lenses and lens units for DSC businesses stemming from customers' inventory adjustments.

◆ Photo Imaging:

Hit by decreasing demand worldwide, Photo business maintained profitability. Camera business restored profitability contributed by marketing the new digital SLR camera as well as executing structural reforms. Compact DSC sales deteriorated amid severe-than-expected price competitions.

Integration & major events

- **Infrastructure:** Smooth progress. The groupwide IT integration is nearly completed. The new integrated personnel systems for non-exempts will be implemented in April 2005 followed by the introduction of new systems for managers.
- **Operations:** Aggressive investments in the growing areas. Business Technologies will install a new production facility for polymerized toner. Optics will add the third plant for TAC film.

Highlight - Business segment

Net sales

	[Billions of yen]				
	[a]	[b]	[a] / [b]	[c]	[a] / [c]
	Actual 3Q / Mar05	Actual 3Q / Mar04	Growth	Plan 3Q / Mar05	vs. Plan
Business Technologies	135.6	166.5	81.4%	147.7	91.8%
Optics	22.5	25.4	88.6%	22.2	101.4%
Photo Imaging	73.1	59.1	123.7%	68.0	107.5%
Medical & Graphic	29.1	28.4	102.5%	30.7	94.8%
Sensing	1.1	1.1	100.0%	1.4	78.6%
Holdings, others	2.0	1.6	---	1.6	---
Total	263.4	282.1	93.4%	271.6	97.0%

Operating income

	[Billions of yen]				
	[a]	[b]	[a] / [b]	[c]	[a] / [c]
	Actual 3Q / Mar05	Actual 3Q / Mar04	Growth	Plan 3Q / Mar05	vs. Plan
Business Technologies	12.0	15.5	77.4%	17.0	70.6%
Optics	4.0	4.9	81.6%	4.0	100.0%
Photo Imaging	1.4	-1.7	---	0.0	---
Medical & Graphic	1.1	0.5	220.0%	2.0	55.0%
Sensing	0.2	0.2	100.0%	0.5	40.0%
Holdings, others	-0.2	-1.1	---	-1.0	---
Total	18.5	18.3	101.1%	22.5	82.2%



Factor analysis -- Business segment

[Billions of yen]

Net sales	[a]			[b]	[c]	a-(b+c)
	3Q / Mar05	3Q / Mar04	Y-O-Y	Forex impact	Change of accounting term	Actual change
Business Technologies	135.6	166.5	-30.9	1.1	-22.6	-9.4
Optics	22.5	25.4	-2.8	-0.2	0.0	-2.7
Photo Imaging	73.1	59.1	14.0	0.5	16.9	-3.4
Medical & Graphic	29.1	28.4	0.7	-0.4	0.0	1.1
Sensing	1.1	1.1	0.0	0.0	0.0	0.0
Holdings, others	2.0	1.6	0.4	0.0	0.0	0.4
Total	263.4	282.1	-18.7	1.0	-5.7	-14.1

[Billions of yen]

Operating income	[a]			[b]	[c]	a-(b+c)
	3Q / Mar05	3Q / Mar04	Y-O-Y	Forex impact	Change of accounting term	Actual change
Business Technologies	12.0	15.5	-3.5	0.5	-0.5	-3.5
Optics	4.0	4.9	-0.9	-0.1	0.0	-0.8
Photo Imaging	1.4	-1.7	3.1	1.0	0.0	2.1
Medical & Graphic	1.1	0.5	0.6	-0.3	0.0	0.9
Sensing	0.2	0.2	0.0	0.1	0.0	-0.1
Holdings, others	-0.2	-1.1	0.9	0.1	0.0	0.9
Total	18.5	18.3	0.2	1.2	-0.5	-0.5

SG&A analysis – Y-O-Y



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[Billions of yen]

	3Q Mar05	3Q Mar04	Due to change of itemization associated with consolidation	Y-O-Y
SG&A total	101.1	95.0	4.0	2.1
Sales promotion	22.2	20.3	0.0	1.9
Salaries and wages	40.5	42.5	0.0	-2.0
R&D	15.8	15.1	0.0	0.7
Other	22.6	17.1	4.0	1.5

A decrease of 2.2 billion yen if including personnel related expenses taken in production costs.

FOREX impact to SG&A: + 0.4 billion yen

Non-operating income / expenses analysis Y-O-Y

	[Billions of yen]		
	3Q Mar05	3Q Mar04	Y-O-Y
Non-operating income/expenses	-2.7	-3.0	0.3
Interest and dividend income	0.3	0.2	0.1
Interest expenses	-1.4	-1.8	0.4
Disposal/valuation losses of inventories	-0.1	-0.6	0.5
Foreign exchange gain/loss	-2.4	-0.9	-1.5
Other	0.9	0.1	0.8

Overview

Revenues and earnings declined Y-O-Y. Color MFPs continued to sell well whereas B/W mid- to high-speed MFP sales lost momentum during a time of severe competition. Color LBP sales was slow due to the changeover period to new products.

MFP

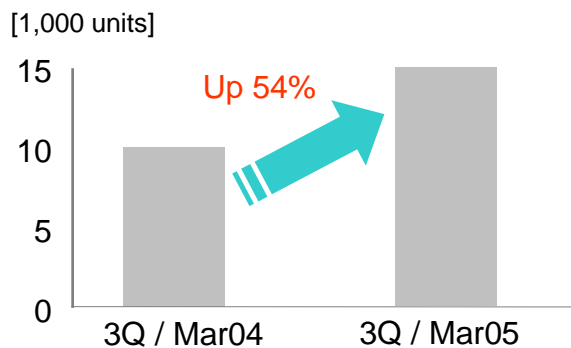
- **Color** : Sales of “bizhub C350” remained strong, however, a shortage of key components/parts became a cause to create backlog of orders. These carry-over orders will be filled in 4Q as we have coordinated procurement system and are set to receive all necessary key parts.
- **B/W** : The launch of the new “bizhub PRO1050”, producing 105 ppm, contributed to vigorous sales in our focusing high-speed segment (Seg. 5). Sales recovered in low-speed segment (Seg. 1), however, overall B/W MFP sales declined 5% Y-O-Y due to slow sales in mid- to high-speed segments.

LBP

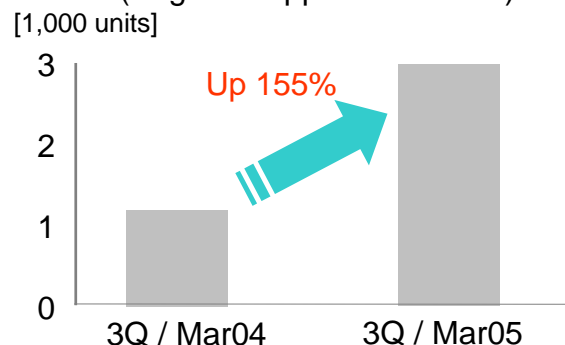
- **Color** : OEM business was slow, but own-brand products sales increased contributed by marketing of new products. Clearing warehouse inventories pushed down profitability. A new product line (5ppm, 21ppm) will become a drive to strengthen marketing and improve profitability for 4Q.

Unit sales

■ Color MFP



■ B/W high-speed MFP
(Seg. 5 : 70ppm and above)



■ Color LBP





Optics

Overview

Optics business achieved its earnings target for 3Q contributed by LCD film's strong results, covering a short fall in optical pickup lenses and lens units for DSC businesses stemming from customers' inventory adjustments.

Optical pickup lenses

- Optical pickup lens business recovered from Inventory adjustments. However, volume sales for the term was lower than the earlier peaks. .

Lens units for DSC/VCR

- Sales declined Y-O-Y affected by decreasing demand for lens unit for DSC/VCR.

Lens units and camera units for mobile phones

- Sales declined Y-O-Y affected by the sluggish Japanese market although we aggressively marketed our new high-function units.

Film for LCD plate

- Film business maintained its strong momentum. Revenues and profits significantly increased in both standard and high-function films.

Unit sales

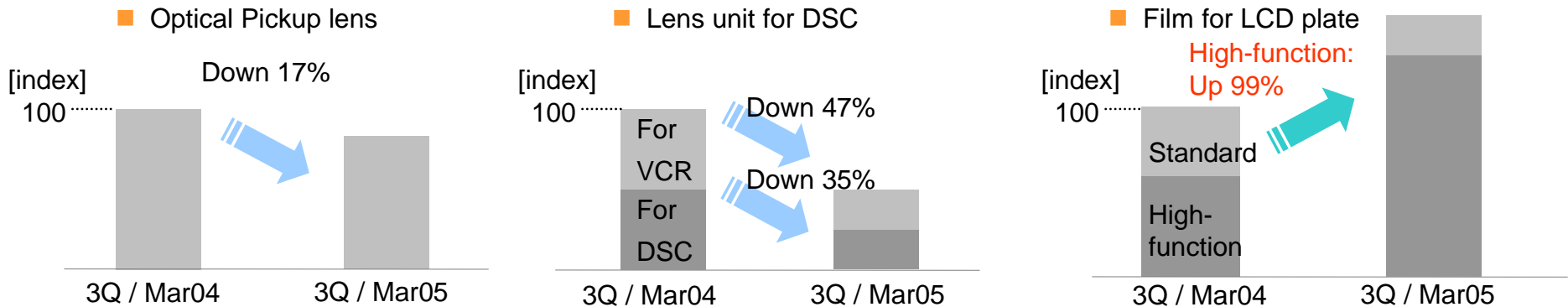




Photo Imaging

Overview

Hit by decreasing demand worldwide, Photo business maintained profitability. Camera business restored profitability contributed by marketing the new digital SLR camera as well as executing structural reforms. Compact DSC sales deteriorated amid severe-than-expected price competitions.

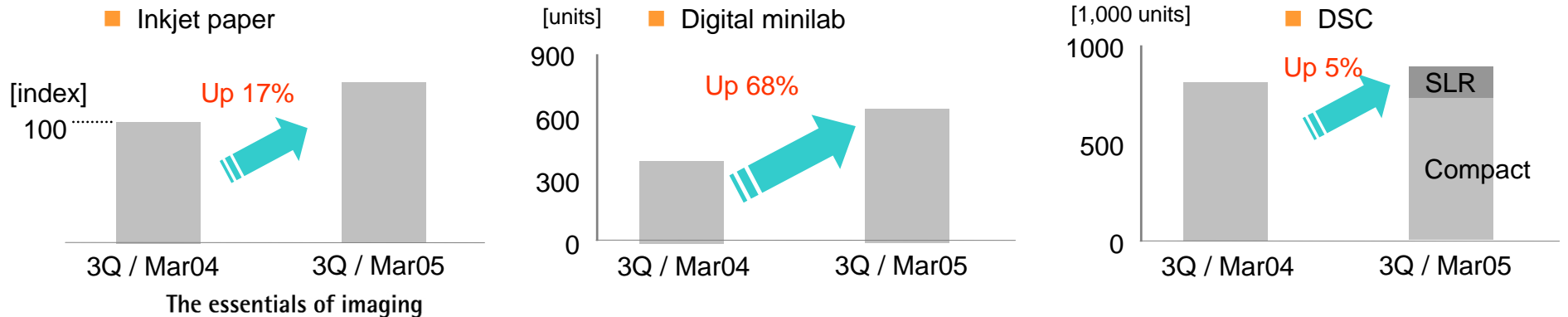
Photo Imaging

- **Color film:** Amid decreasing demands worldwide, strong sales in India and Russia contributed to a 7% decline in volume sales Y-O-Y.
- **Digital minilab:** The “R1 SUPER / R2 SUPER” minilab systems sold well in Europe and Asia.
- **Photo paper:** Weak sales due to oversupply in particular regions in Asia.
- **Inkjet paper (producing photo-like finishing):** Sales steadily increased amid intensified price competitions worldwide.

Camera

- **DSC:** Camera business restored profitability contributed by vigorous sales of the new digital SLR camera and structural reforms. Compact DSC sales missed earnings targets amid ever intensified market competition. The current management initiatives are inventory adjustments and price-keeping for 4Q.

Unit sales



Medical & Graphic Imaging and Sensing



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Overview

Medical & Graphic

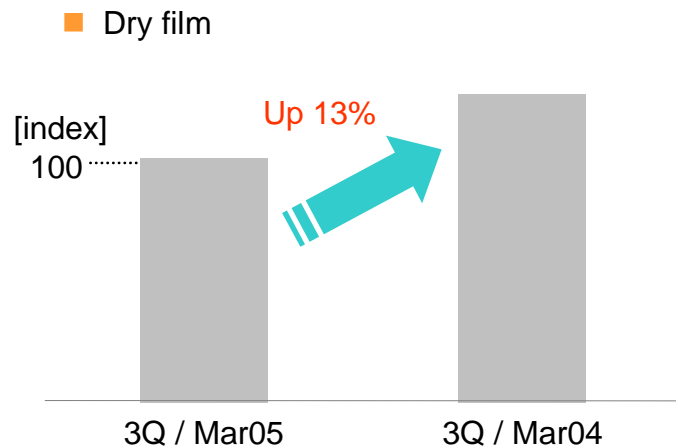
- **Medical:** Digital X-ray input/output systems and dry film sales were strong.
- **Graphic:** Declining demand in Japan and overseas caused sluggish sales in film business.

Sensing

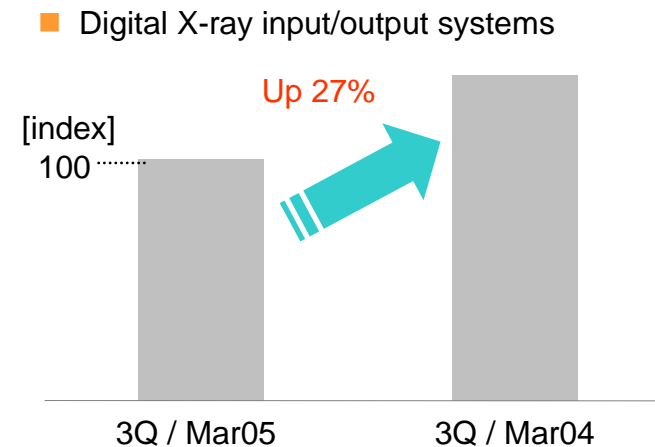
- Sales turned flat under the influence of slowing capital spending among manufacturers.

Unit sales

Medical & Graphic



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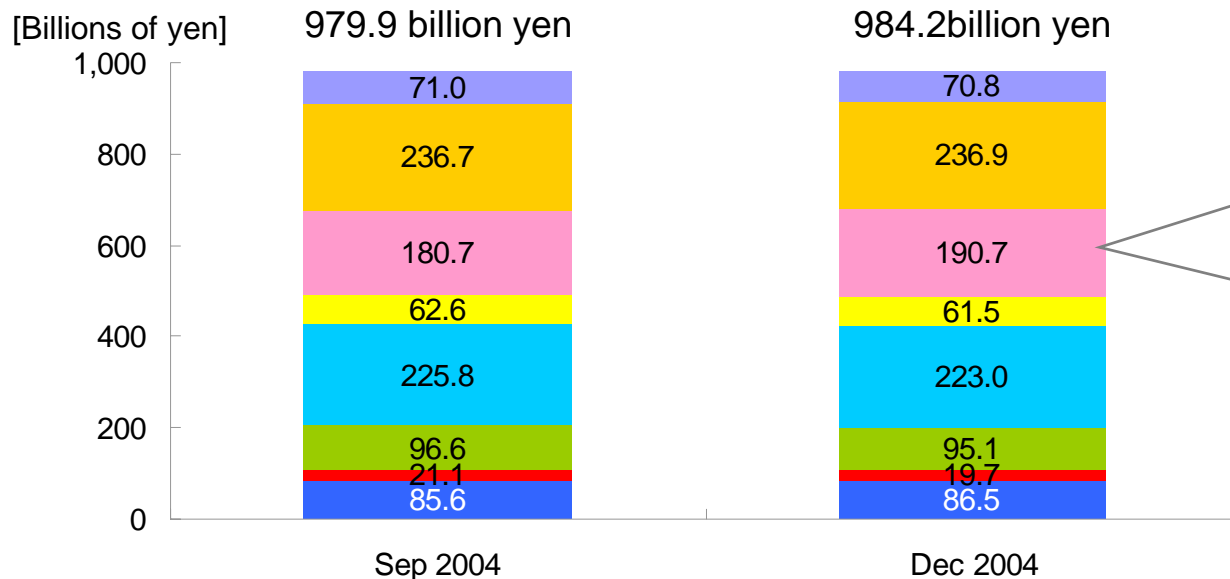


B/S - Assets



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Forex: B/S	Sep04	Dec04	Change	[Yen]
US\$	111	104	-6	(JPY app.)
Euro	137	142	+5	(JPY dep.)



Change: +4.3 billion yen

[Inventories]	
Business Technologies:	5.1 billion yen
Optics:	0.9 billion yen
Photo Imaging:	2.8 billion yen
Medical & Graphic	1.0 billion yen
Sensing:	0.2 billion yen

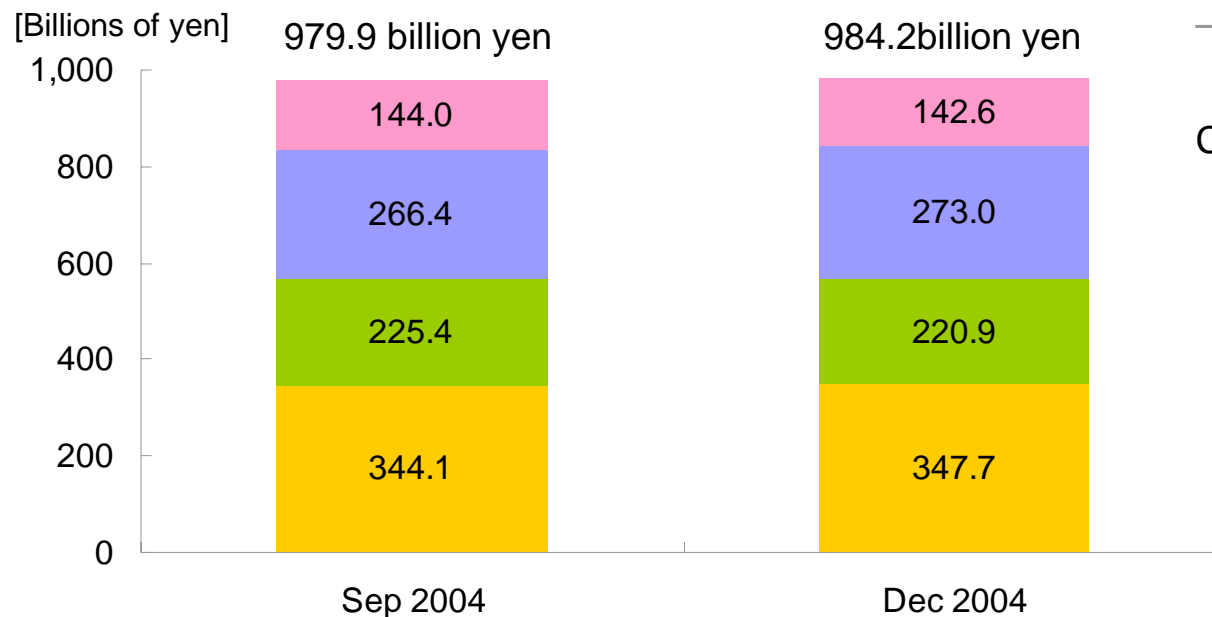
■ Investments and others	■ Other intangible fixed assets
■ Consolidation goodwill	■ Tangible fixed assets
■ Other current assets	■ Inventories
■ Notes and A/R	■ Cash and deposits

B/S – Liabilities and shareholders' equity

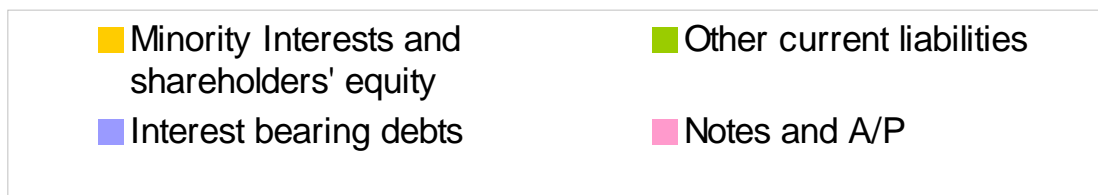


KONICA MINOLTA

Forex: B/S	Sep04	Dec04	Change	[Yen]
US\$	111	104	-6	(JPY app.)
Euro	137	142	+5	(JPY dep.)



Change: +4.3 billion yen



Cash flows



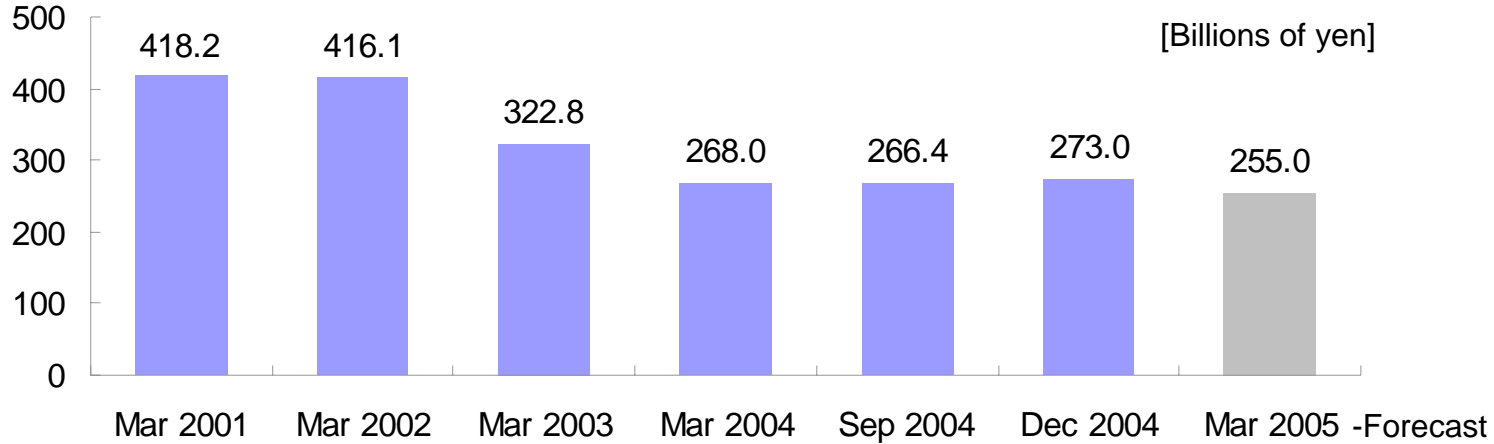
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	[Billions of yen]		
	3Q / Mar05	3Q / Mar04	Y-O-Y
Income before income taxes	15.5	14.6	0.9
Depreciation and amortization	12.7	15.8	-3.1
Increase (decrease) of working capital	-24.0	-17.9	-6.1
I. Net cash from operating activities	4.2	12.4	-8.2
II. Net cash used in by investment activities	-7.0	-5.5	-1.5
I.+ II. Free cash flow	-2.8	6.8	-9.6
Increase (decrease) in debts and bonds	5.3	-6.2	11.5
Dividends paid	-2.7	-2.6	-0.1
Other	0.0	-0.1	0.1
III. Net cash used in by financing activities	2.6	-8.9	11.5

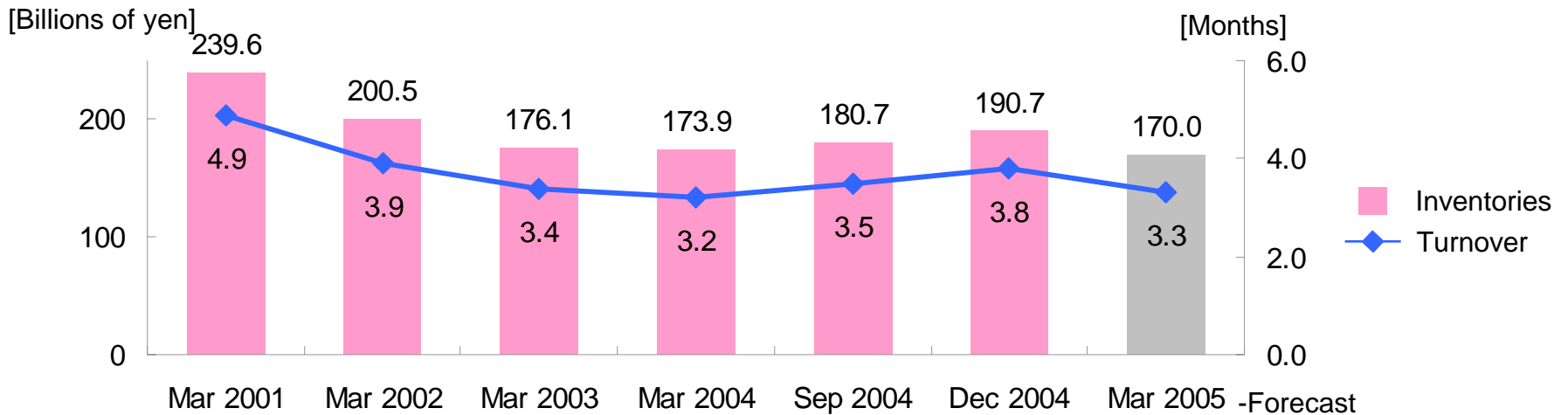


Interest-bearing debts and inventories

Interest-bearing debts



Inventories and inventory turnover



$$\text{Inventory turnover (months)} = \text{Average inventories} / \text{Cost of sales per month}$$



Progress of integration

■ Group-wide headcounts

[Medium-term plan: announced Mar 2004]

(Number of employees)	Sep. 30 2002	Mar2004 YTD	Dec2004 YTD	Mar2005 YTD	Mar2006 YTD
Plan	37,300	35,200		33,600	32,600
		-2,100		-3,700	-4,700
Results: YTD		34,710	33,820		
		-2,590	-3,480		

■ Integration expenses

[Billions of yen]

*Announced Nov 12

	3Q Mar05	9M Mar05	Forecast Full year	Major purposes
SG&A	0.8	3.0	3.8	Relocation, IT, sales promotion
Non-operating exp.	0.0	0.2	0.2	Desposal of nunecessary product packages
Extraordinary losses	0.1	2.7	3.4	Manpower rationalization
Total	0.9	5.9	7.4	

* Goodwill amortization of 1.2 billion yen per quarter (annual 4.9 billion yen) is not included in the above chart.

Forecasts March 2005

	*Announced Nov 12 Mar 2005	[Billions of yen]
	Forecast Full year	Actual 9 months / Mar05
Net sales	1,100.0	798.5
Operating income	80.0	51.0
Ordinary income	70.0	44.0
Net income	25.0	16.5
Capital expenditures	63.0	36.9
Depreciation & amortization	58.0	37.9
R&D expenditures	71.0	48.1

	2H/Mar05 - plan	Average: Apr - Dec
FOREX for 2H / Mar05: USD	107 yen	109 yen
Euro	130 yen	135 yen



Forecasts – Business segment

**Announced Nov 12* [Billions of yen]

Net sales	Mar 2005		Mar 2004 - Actual	
	Forecast	Actual	Full year	9 months
	Full year	9 months		
Business Technologies	590.0	417.0	625.8	464.8
Optics	96.0	66.5	85.8	64.6
Photo Imaging	272.0	215.9	277.7	196.4
Medical & Graphic	130.0	90.0	120.9	87.1
Sensing	5.5	3.7	8.0	6.5
Holdings, others	6.5	5.4	5.4	4.3
Total	1,100.0	798.5	1,123.6	823.7

**Announced Nov 12* [Billions of yen]

Operating income	Mar 2005		Mar 2004 - Actual	
	Forecast	Actual	Full year	9 months
	Full year	9 months		
Business Technologies	63.0	38.7	62.9	45.0
Optics	16.5	11.2	15.3	11.4
Photo Imaging	-5.5	-2.6	-6.6	0.0
Medical & Graphic	9.0	5.4	7.9	5.2
Sensing	2.0	1.1	1.8	1.3
Holdings, others	-5.0	-2.7	-8.0	-4.6
Total	80.0	51.0	73.2	58.3

[Reference 1] 9 months results : April - December



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[Billions of yen]

	[a]	[b]	c = a - b	[d]	[e]	[f]	[g]	c-(d+e+f+g)
	9M / Mar05	9M / Mar05	Change	Forex impact	Change of accounting term	Elimination*	Goodwill amortization	Actual change
Net sales	798.5	823.7	-25.2	-12.2	8.1	-12.5	0.0	-8.6
Gross income	354.2	356.4	-2.1	-4.1	-1.6	0.0	0.0	3.4
Operating income	51.0	58.3	-7.3	-1.7	-0.5	0.0	-2.4	-2.6
Ordinary income	44.0	43.8	0.2	2.7	0.0	0.0	-2.4	-0.1
Net income	16.5	25.7	-9.3	1.1	0.0	0.0	-2.4	-8.0

Net sales

Operating income

[Billions of yen]

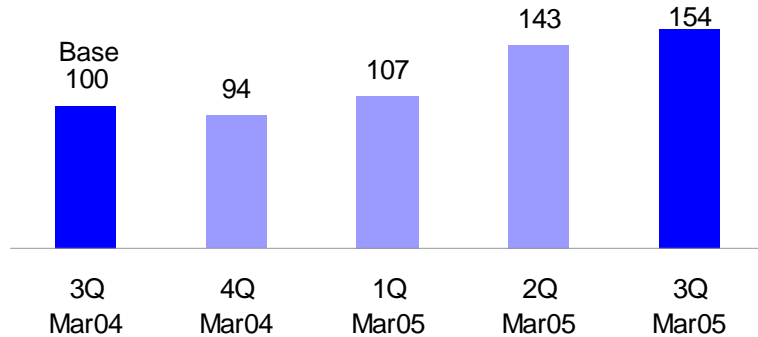
	9M / Mar05	9M / Mar05	Forex impact	Change of accounting term	Elimination*	Actual change	9M / Mar05	9M / Mar05	Forex impact	Change of accounting term	Goodwill amortization	Actual change
Business Technologies	417.0	464.8	-7.1	-22.6	-12.5	-5.6	38.7	45.0	-0.6	-0.5	-2.1	-3.1
Optics	66.5	64.6	-0.8	0.0	0.0	2.7	11.2	11.4	-0.6	0.0	-0.1	0.5
Photo Imaging	215.9	196.4	-2.7	30.7	0.0	-8.5	-2.6	0.0	0.1	0.0	-0.1	-2.6
Medical & Graphic	90.0	87.1	-1.7	0.0	0.0	4.6	5.4	5.2	-0.7	0.0	0.0	0.9
Sensing	3.7	6.5	0.0	0.0	0.0	-2.8	1.1	1.3	0.0	0.0	-0.1	-0.1
Holdings, others	5.4	4.3	0.0	0.0	0.0	1.1	-2.7	-4.6	0.1	0.0	0.0	1.8
Total	798.5	823.7	-12.2	8.1	-12.5	-8.6	51.0	58.3	-1.7	-0.5	-2.4	-2.6

*Elimination: Trade between Konica and Minolta before management integration.

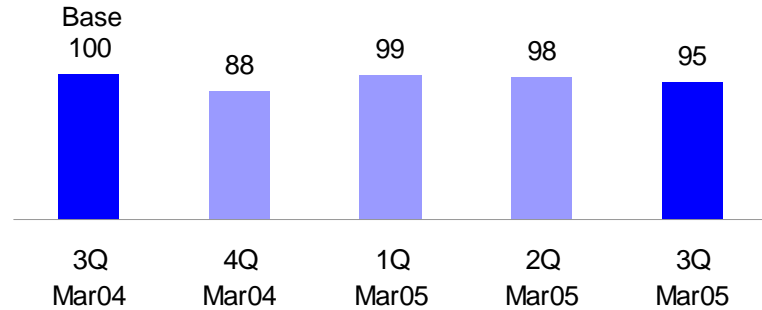


[Reference 2] Sales in unit – Business Technologies

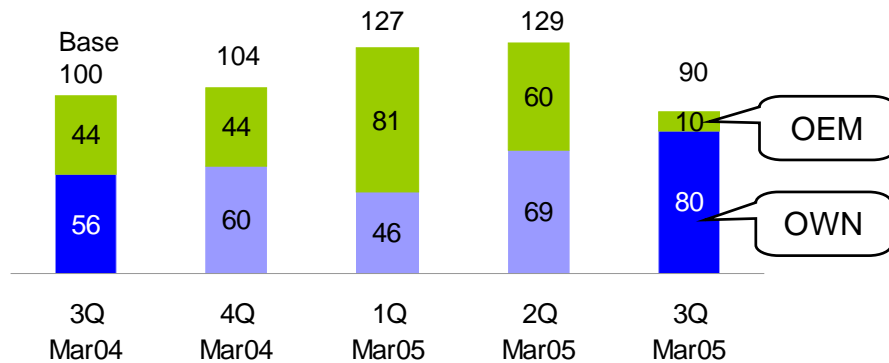
Color MFP [Index]



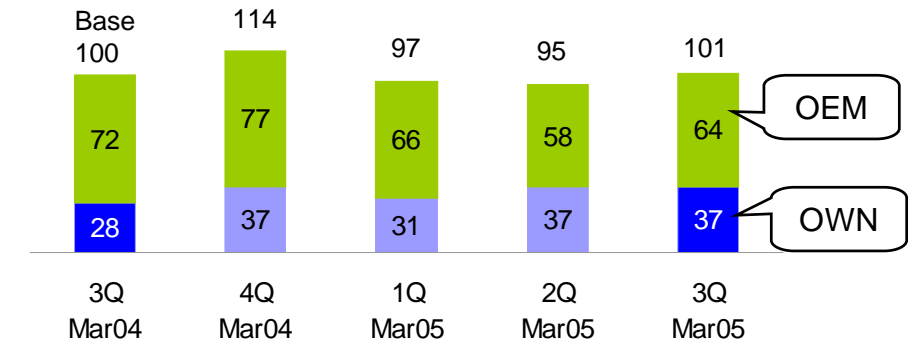
B/W MFP [Index]



Color LBP [Index]



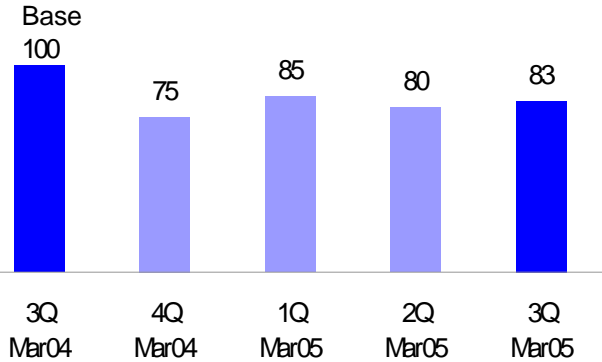
B/W LBP [Index]



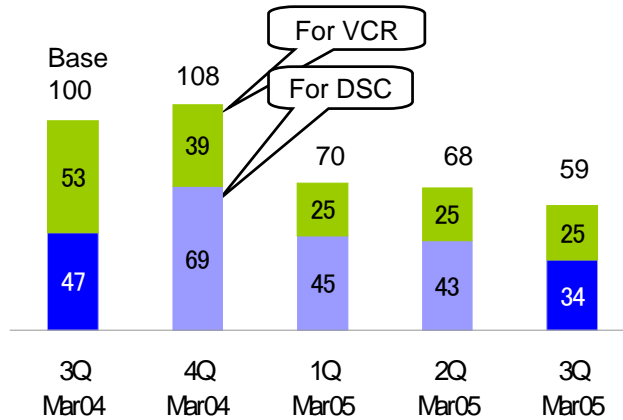


[Reference 3] Sales in unit -- Optics

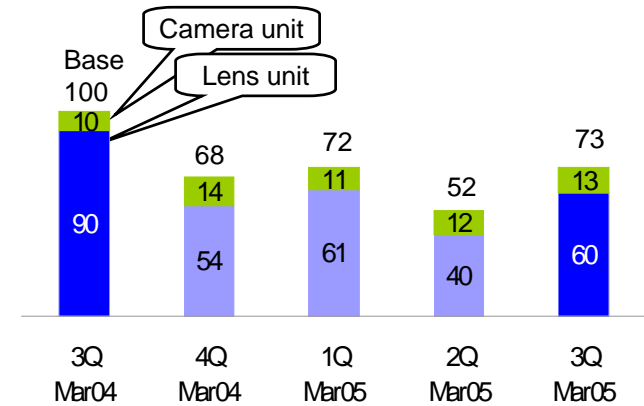
Optical Pickup lens [Index]



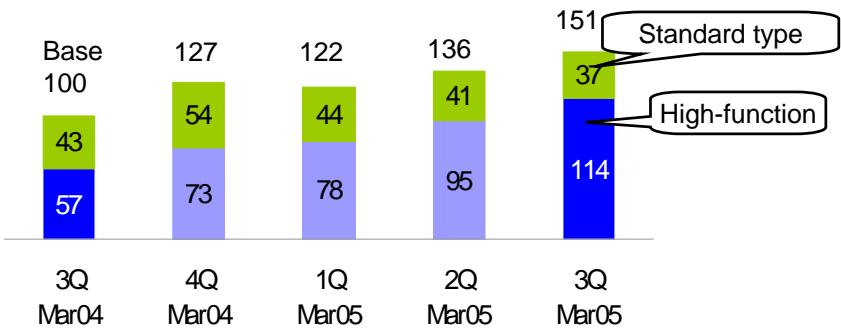
Lens unit for DSC/VCR [Index]



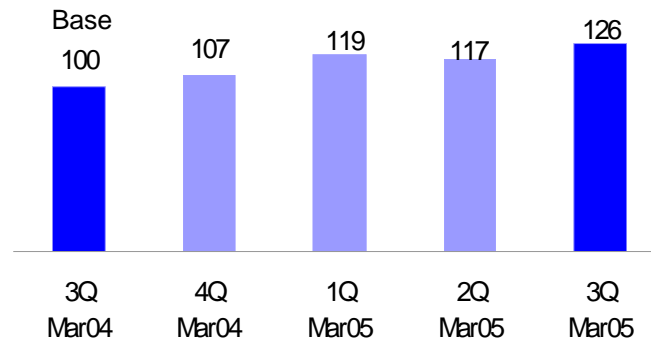
Lens and camera unit for mobile phone [Index]



Film for LCD plate [Index]



Glass substrate for hard disk [Index]





[Reference 4] Sales in unit -- Photo Imaging

Color film [Index]

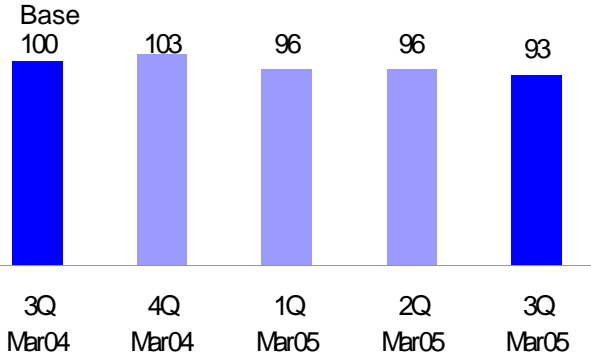
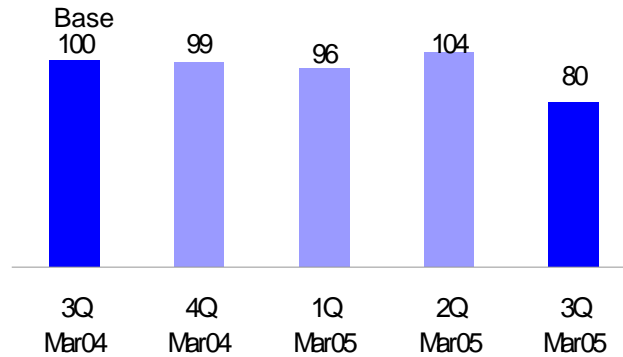
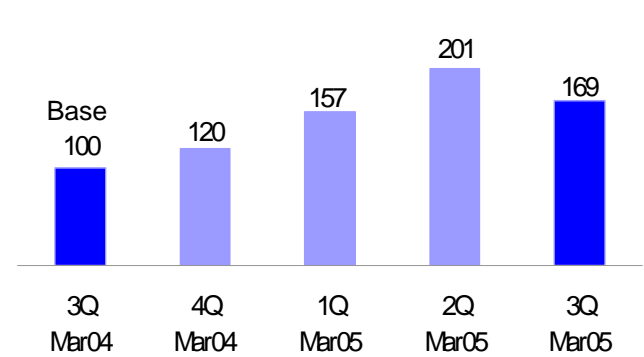


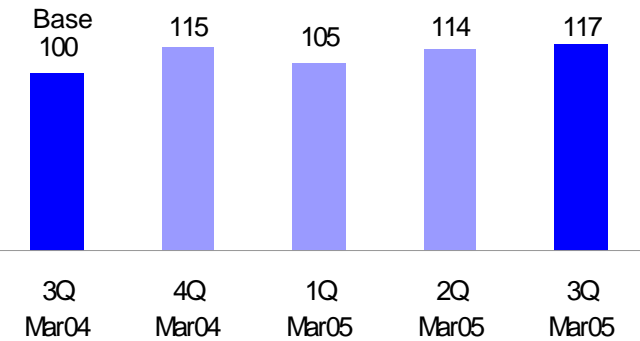
Photo sensitive paper for color prints [Index]



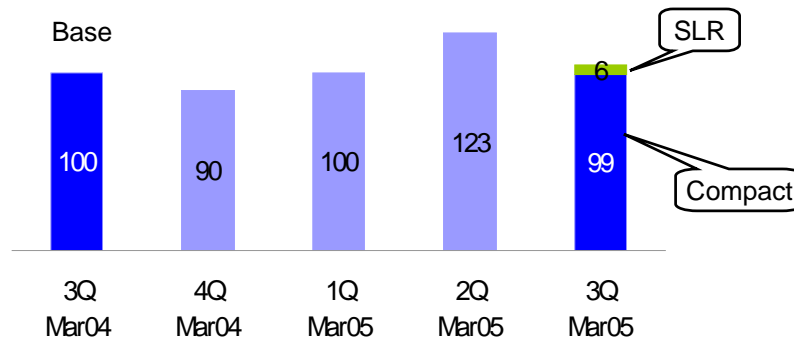
Minilab [Index]



Inkjet paper [Index]



DSC [Index]





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